



NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

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TESTIMONY

OF

TOM W. GRIFFITH, PRESIDENT

NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

BEFORE THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

U. S. HOUSE OF REPRESENTATIVES

ON

CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM

October 23, 1985

Mr. Chairman and Members of the Committee:

My name is Tom W. Griffith. I am the President of the 66,000-member National Rural Letter Carriers' Association. Rural letter carriers serve 15 million American families by daily traveling 2,387,951 miles over 38,925 rural routes throughout the United States.

We are honored to appear before the Committee on Post Office and Civil Service and offer our testimony on your Bill. We are extremely grateful for the dedication that you and your staff have put into mastering the complexities of developing

Executive Committee

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a new retirement system. We appreciate the importance of moving rapidly on this issue since the interim retirement system expires at the end of this year. And, we are sure that after this Committee's deliberations and action, that substantial work will be required of a Committee of Conference. We support your efforts to move expeditiously.

We wholeheartedly support your plan as we currently understand the concepts. We have, for some time, accepted the realities of a modern pension plan with some degree of enthusiasm; that is a three-tiered approach where the first tier would be Social Security, the second tier would be a Defined Benefit Plan, and the third tier would be a Savings or Capital Accumulation Plan.

Cost - We approve of the cost of your plan as projected at 25.5% of payroll, which is nearly equal to the cost of the existing system. The Hay Study, which was presented to this Committee last year, indicated that Federal employees were lagging behind private sector employees in total compensation. The lag in pay was partially overcome by the retirement component. We think that balance is important! Many of the components of the current Civil Service Retirement system have provided positive examples for private sector pension plans. Without the strong example of the Federal Government, private pension plans would not be nearly as generous as they are today.

If the Government and the Postal Service are to be able to attract, train and retain qualified, dedicated employees, the compensation package, which includes a retirement program, must be made attractive and worthwhile. The cost of the retirement plan is one way the Government can express its appreciation for many years of dedicated, effective service.

Social Security Tilt - We support your decision to use an add-on form of Defined Benefit. We are aware that it continues the tilt which exists in the Social Security System toward the lower waged workers. However, your plan very wisely includes a feature which can partially offset the tilt by the individual initiative of any particular employee who voluntarily participates in the savings plan.

Age and Vesting - We agree with and strongly support the right of a worker to retire at 55 years of age with 30 years of service, 60 years of age with 20 years of service, or 62 with 5 years of service. We suggest that for early retirement benefits under the new system, an employee should have the right to purchase such an option and share in the cost.

Employee Contributions - The mandatory employee contribution to the defined benefit component is a step toward cost sharing for early retirement. There is precedence for employee

contributions to public sector pension plans unlike the private sector plans, which are largely non-contributory retirement plans. In the public sector, employee contributions to their basic pension plan have the added benefit of discouraging the temptation by future Congresses to tamper with the basic plan.

Accrual - We understand the difficult task that confronted the Committee, with holding the cost within reason. We think you have done an excellent job. However, we would hope there would be a way to provide a slightly higher accrual rate, which is back-loaded to encourage and reward those who wish to make Government service their career.

Disability and Survivor Benefits - We compliment the Chairman and Ms. Oakar's sensitivity and concern for anyone unfortunate enough to need this benefit. Your concern is clearly reflected in the eligibility and protection afforded employees and their dependents in this section.

Computation - We fully support the average High-3 annual salary formula. We think it is a fundamentally fair way to compute an employee's annuity.

COLA - We strongly support the fact that this Bill includes fully indexed COLA's. The Federal Government has been, and should continue to be, a leading example for this Nation's

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workers. When Government provides a fully indexed COLA, it has a positive effect. The testimony at the Senate Retirement Forums pointed out that most private employers do not provide a cost-of-living adjustment provision. However, many of them make ad hoc adjustments every three to five years. We firmly believe the reason for those ad hoc adjustments is due to the pressure the Federal Government has brought in the work place by having fully indexed COLA's. It is a very positive example that the Federal Government has set, and it should continue. It also assures retirees the ability to live out their lives in dignity with a decent standard of living.

Savings-Capital Accumulation Plan - We said in our testimony before the Senate, that we thought there should be a smaller, voluntary savings component in S. 1527. For employees who desire, they should be allowed to contribute up to 10% of their salary, and the Government's one-for-one match should be limited to the first 3% of salary. Your proposal provides that each employee can contribute 6% of salary to receive a 3% match by the employer. We believe that is basically along the lines that we had proposed in our testimony in the Senate and, therefore, we can support that provision of the plan.

An average rural letter carrier starts at about \$18,000 a year. The average rural carrier, at the top of their career, receives about \$26,000. In those pay ranges, few of our members

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will be financially able to participate fully in a voluntary savings program, early in their employment, because most will buy their first homes and begin families. Mortgage, car, and education costs will come first. Savings, unfortunately, will probably take a back seat to those things for most rural carriers. However, later in life, we suspect that most rural letter carriers will take full advantage of the savings component of the Bill.

That concludes our analysis of the key ingredients of this piece of legislation.

Mr. Chairman, Ms. Oakar, we are extremely grateful for the openness and cooperation which has been afforded us and our staffs all through this process. We have not always been in agreement and probably will not always agree in the future. But, the process has been open and we have been allowed full input. For that, we are grateful as we struggle with this extremely complicated issue.

We appreciate your interest and concern that new employees receive a pension plan that, in the words spoken a few years ago by Chairman Ford, Speaker O'Neill and Chairman Rostenkowski have indicated that new Federal employees should be provided retirement benefits which are comparable to those under the Civil Service Retirement System. We thank you for your efforts in that behalf.